

ORGANIZATION AND MANAGEMENT OF A COOPERATIVE

ENTERPRISE IN A SCHOOL

- G. A. McDonald, S. J.

General suggestions:

- I. A selected group of interested students should organize themselves into a committee.
- II. This committee should first function as a discussion club for the thorough study of the cooperative principles. Each member should master the Rochdale principles. Recommended for such discussion clubs are:

Cooperation and Cooperative Associations outline, 25¢

Education: Learning Principles and Practices of Cooperation . . . outline, 25¢

Campus Coops pamphlet, 05¢

(The above may be purchased from THE QUEEN'S WORK.)

An Introduction to Consumers Cooperatives, by Ellis Cowling . . . pamphlet, 15¢

Cooperatives in the United States, by Maxwell S. Stewart . . . pamphlet, 10¢

Cooperatives, by Alexander Goslin book, 25¢

Cooperation: An American Way, by John P. Daniels book, \$1.50

The ABC of the Cooperative Movement, by Gerald Richardson . . . book, 1.00

Worth reading and deserving a place in every Catholic library:

The Lord Helps Those, by Bertram Fowler (co-ops in Nova Scotia) book, 1.00

Masters of Their Own Destiny, by Father M. M. Coady book, 1.00

The Long Tomorrow, by Evelyn Voss Wise. Story of what a Minnesota priest accomplishes through cooperatives. Novel book, 2.00

The above books and pamphlets may be obtained from any of the following district cooperative leagues, at cooperative prices. The secretary of these leagues also has the duty to give help and advice to those interested in starting cooperatives. Write and get all the literature and help available from the league nearest you:

Central States Cooperative League

2301 South Millard Avenue
Chicago, Illinois

Eastern Cooperative League

135 Kent Avenue
Brooklyn, N. Y.

Associated Cooperatives, So. Cal.

7218 S. Hoover St.
Los Angeles, Calif.

Associated Cooperatives, No. Cal.

1414 University Ave.
Berkeley, Calif.

National Cooperative Women's Guild

Box 2000
Superior, Wisc.

On the subject of Credit Unions we recommend: the study club outline, "Credit Unions," published by THE QUEEN'S WORK, and "Cuna Emerges," by Roy F. Bergengren. For further information and expert help write to CUNA (Credit Union National Association). They supply literature, "Primers on Credit Union Bookkeeping," etc. Address: Raiffeisen House, Madison, Wis.

III. After mastering the Rochdale Principles and getting as much knowledge as possible about the history and development of the Cooperative Movement, the committee should make a survey of what might be done in its particular school. Some possibilities are:

1. A simple buying club
2. A little shop
3. A credit union

The above experiments are easily on high school level though not all high schools provide the same opportunities.

The following can hardly be done by high school students but are being done in many places by college and university students:

1. Cooperative dining club
2. Cooperative store (handling a full line of student supplies including clothing.)
3. Cooperative filling station
4. Cooperative dormitories and houses run like fraternities but for economic purposes rather than social.

IV. After a survey of what might be done, the committee consults with the faculty, gathers necessary data, plans in detail how to manage the particular enterprise.

V. The committee then begins a campaign of education on the subject to win the faculty and student body to cooperation. If the committee knows definitely what it would like to do, why it wants to do it, and how it plans to do it, it will merely be a matter of good salesmanship to "sell" the idea and win members. To get the idea across make use of:

- The general assembly
- Debates
- The school paper
- Definite printed or mimeographed statements outlining the whole idea
- Discussion groups
- Open forums
- Symposia
- Bulletin boards

In general use all the propaganda and publicity facilities available. After this preliminary study, survey and campaign by the committee, launch your enterprise. Detailed direction for the organization of some forms of cooperatives are given in the following section.

SPECIFIC SUGGESTIONS FOR A SCHOOL BUYING CLUB

(N.B. Not even a simple buying club should be attempted without the study, survey and campaign outlined in the preceding section.)

To organize a buying club is merely a matter of applying the Rochdale Principles to your particular enterprise. Let us suppose that you wish to organize a club for the cooperative purchase of silk stockings in a girls' high school or college. We suggest the following application of the Rochdale Principles:

1. The first Rochdale Principle is that the organization shall be democratic and non-discriminatory. Applying this to the school it means that every student is eligible for membership. All are consumers and are entitled to reap the advantages and the more who become members the more benefits will be derived by each and all. Hence, even if only a few become members they should leave membership open at all times to those who may desire to come in. To get all the students interested follow the suggestion given in the preceding section under number V.

MEMBERSHIP

2. The second Rochdale Principle is that every member must put in something in order to have a share. Dependent on the nature of your enterprise, "put in something" means time, money or service. Applying this principle to a stocking buying club it means capital. Money will be needed, hence each member must put in money and buy a share.

SHARES

Dependent upon how much money is needed to make it a sound business will be the cost of the shares. Shares should cost approximately fifty cents apiece. More than \$2.00 a share should not be charged in a buying club. Whatever you fix on as the price of shares should be definitely set down in your constitution and by-laws (about which see below) and should not be changed without "constitutional action." Shares in a cooperative should always be kept at par. They do not fluctuate as do shares on the stock market.

VOTE

3. The third Rochdale Principle is that every member has one vote. Applying this to your buying club it means that control of your club is democratic. It does not depend on how many shares a member has. Hence as soon as a member had paid for a share she is entitled to one vote.

INTEREST

ON SHARES

4. The fourth Rochdale Principle is that capital invested receives a definitely limited rate of interest if interest is paid at all. In a buying club members often decide that no interest will be paid on shares. When interest is paid it is never to exceed 6%. Therefore if shares in your buying club sell for \$1.00 and you pay 6% each share will bring 6¢ a year. The best way to decide such details as how much to charge for shares, what interest to pay on a share, how many shares a member may buy, etc. is to draw up a tentative CONSTITUTION AND BY-LAWS embodying these and other points and submit it to the membership for vote. A skeleton model for such a constitution and by-laws is found below.

PATRONAGE

RETURNS

5. The fifth Rochdale Principle is that net profit is returned to members in proportion to patronage. Applying this to a buying club, it means that after expenses of operating and costs have been taken care of, and after capital used to operate has been replaced, and after reserves have been put aside, etc. there will be a net profit. This net profit goes back to the members in proportion to the number of stockings a girl purchased through your society. Suppose that the net profit on one pair of stockings was 25¢; two pairs would return 50¢; ten pairs, \$2.50; etc.

RETURNS AND
NON-MEMBERS

In order to get this net profit or "patronage dividend" clubs usually require that the girl be a member. But if the members wish, they may either extend this dividend to girls who are not members or inform them what their dividend would be were they members and offer to apply the dividend towards the purchase of a share.

PRICES

66 The sixth Rochdale Principle is that commodities are sold at the current retail price. Applying this to your buying club it means that orders are taken for stockings, by the manager. When the manager has a sufficient number of orders these stockings are purchased in quantity and at wholesale prices from the wholesale dealer. They are sold to the girls at the current retail price for that particular quality hose. What the current retail price should be can be learned from the wholesale dealer. It is this difference between the wholesale and retail price, made possible by group and quantity purchase which yields the profits. From this gross profit comes net profit which is returned to the members in proportion to their patronage. Note that very little advantage comes to members because of the number of shares they have, since shares pay little or no interest but that the great advantage comes from the amount of purchases. Most wholesale houses are willing to deal with buying clubs but if for any reason they refuse, deal with a Cooperative Wholesale house such as exists in Kansas City; Superior, Wisconsin, etc.

CASH

7. The seventh Rochdale Principle is business done for cash. Applying this to your buying club enforce it strictly and extend no credit. The girls pay for their stockings on delivery. In the beginning you will have to use part of the capital to purchase the stockings to fill the first orders. But this capital is to be immediately replaced when the girls receive and pay cash for their stockings.

NOT CREDIT

8. The eighth Rochdale Principle is that time, effort and money is not wasted on foolish advertising but rather devoted to education in cooperative principles. Applying this to the school buying club it means that you have an educational committee which will keep before the students that the buying club is not merely trying to save them a few cents on their stockings but that it is trying to teach many infinitely more important truths, such as:

EDUCATIONAL

COMMITTEE

The cooperative method of doing business is based on fundamental Christian truths. The fundamental Rochdale Principles are all ways of applying Christ's principles to business methods.

Cooperatives emphasize production for service and not for profit.

Men are more important than money. (That is why money invested gets but a limited though just return in interest.)

Control is democratic. (Cf. numbers 1 and 3)

Living within one's income is better than unlimited credit. (Cf. No.7)

Purchasing power can be increased.

How to work together for the common good. (Co-operari)

Capital is needed but need not be over-rewarded.

Profits are legitimate rewards for service, quality and enterprise but profits should be better distributed.

Cooperatives aim only at efficiency by eliminating from the process of production and distribution only unnecessary middlemen, heartless exploiters and chislers who stand between them and the abundance God has provided for all. Most of our present economic methods are promised on an economy of scarcity.

This educational committee prepares itself to convince all objectors that the cooperative method is Christian, Catholic, Democratic, a "middle way" between extreme individualism and communism, neither anti-profit nor anti-capitalistic but corrective of both extremes. In other words, the school cooperative that appeals merely to the greed of a few students to save themselves a few cents is missing the whole point of having a cooperative in their school, namely, the awakening of the student body to the possibilities that cooperatives unfold before them of correcting most of the abuses in the present economic order without having recourse to the extremes of so-called Leftists (Communists or Fascists) or Rightists, conservatives, who recognize no need for improvement.

FAIR TO
LABOR

9. A ninth Rochdale Principle is to be fair to labor. Applying this to your buying club it means that if your volume of business justifies it, those who give their time and energy to promoting your advantage by getting you patronage dividends on your purchase of stockings should be adequately compensated. In the beginning of most school cooperatives the manager is one who volunteers to work for your benefit but when a cooperative buying club works out to the advantage of the whole student body there is a duty and obligation on the part of the membership to make it worthwhile for the manager to devote extra time and service to the interests of the members. And even in a buying club this means that the labor should be payed for. If the membership is large enough payment could go a long way towards providing for the expenses in school of the manager. Thus can scholarships for needy and deserving students be provided. This is possible even in a simple but flourishing buying club. In other campus coops on the college level, such as a cooperative dormitory, many jobs for students are provided so that the cooperative not only makes it possible for hundreds of students to attend college who might not otherwise be able to do so, but it provides lucrative and responsible positions for dozens of students.

After a thorough study and discussion of the Rochdale Principles as applied to a buying club, the sponsoring committee should be ready to proceed, as follows:

1. Launch a membership campaign to get as many students as possible to buy and pay for their share or shares.
2. When a sufficient number of members has subscribed to shares call a general meeting. Twenty paid up members would be a sufficient number for a beginning.
3. At the general meeting seek the adoption and ratification of your constitution and by-laws. Then elect a Board of Directors, remebering that every member has one vote. This Board of Directors would logically be chosen from among those who have been studying about and campaigning for the club. The number of Directors depends upon the number of members, about five Directors for every unit of one hundred members.
4. After the general meeting at which the members adopted the constitution and by-laws and elected the Board of Directors, the Board of Directors should

meet and elect officers of the club from the Board members. There should be President, Secretary, and Treasurer. Members of the Board not elected to special office can be made chairmen of any further necessary committees, such as an educational committee. The Board then appoints a Manager and it would be better that this Manager were not a member of the Board of Directors so that the Manager could be under and responsible to the Board. Duties of Officers and Manager should be stated in the constitution. These duties are the simple functions common to all societies and clubs.

5. With the adoption of constitution, election of Board of Directors, election of Officers, and appointment of the Manager, the club is ready to function and a great deal of the further success will depend upon the efficiency of the Manager and the support of the membership.

The MANAGER. A capable Manager can handle most of the details. She should be given a free hand and allowed to use her own initiative. By constitution she will be required to submit a periodical report of her actions to the Board for their approval. In the beginning it will be well for the Board of Directors to meet with the management for such a report regularly every two weeks. From time to time it may be necessary to call special meetings. As things get going such meetings need only be the regular Board meetings (usually once a month) provided for in the constitution. The Manager's duties are to take the orders for stockings, purchase them from the wholesale dealer, and deliver them to the members who pay the current retail price in cash. For the first purchases from the wholesaler the capital derived from shares may be used, but this capital must be replaced by the Manager as soon as collections have been made. As money from collections accumulates the capital should no longer be used for this purpose. The Manager keeps an account of all purchases by each member so that patronage dividends may be paid to each purchaser at the time designated in the constitution. (Such accounting is not involved. Sales slips in duplicate such as are used in most department stores can be issued and one slip given to the purchaser, another retained by the Manager. If the slips retained by the Manager are transferred to a ledger which contains a page for each member's account that will be about all the bookkeeping entailed. A smart Manager can inquire how such things are done in other businesses and adapt a system to her own needs.) The Manager will be required by the constitution and by-laws to render an account to the Board of Directors once a month or oftener if they so decide. Once or twice a year as may be provided for in the constitution and by-laws patronage returns are made to the members according to the principles explained in 5, above. Good management suggests that no dividends be declared until all operating expenses are paid and reserves set aside. Typical expenses are: car fare to and from the wholesaler; rent for space in the school; salary of the Manager (if any); interest on shares (if it is decided to pay it); educational fund; any other miscellaneous expenses but in a buying club all of these expenses will be trifling, leaving a substantial net profit to be returned to the members once or twice a year. In some school cooperatives, especially those sponsored by the Sodality, a certain percentage of the net profit may be allocated to the Sodality treasury. This should not be done without the consent of the entire membership. What percentage to give to the Sodality is optional with the members. It is a gift though it may well be earned by the fact that the Sodality sponsors the enterprise. Never turn all net profit back to the club or the Sodality but see to it that at least 50% goes back to the members so that they may appreciate the financial benefits that they gain for themselves by being members.

If difficulty arises in your dealings with a wholesaler do your business direct with a Cooperative Wholesale Company. By writing to the district league nearest you (addresses above) you can find out where the nearest Cooperative Wholesaler is located.

SAMPLE CONSTITUTION AND BY-LAWS

The following is merely a model in skeleton outline. It indicates the usual and necessary provisions but leaves the individual club free to complete the details in its own way. By-laws need not be involved; the simpler they state your purpose the better.

ARTICLE I. Name of the Association

Location

ARTICLE II. The object and nature of the business

ARTICLE III. Statement of a policy of adhering to and operating according to Rochdale Principles

ARTICLE IV. Requirements for membership

Sample provisions:

1. No person shall be denied membership because of his race, religion or political creed.
2. A candidate for membership must fulfill the following requirements: He shall pass an examination on the Cooperative Movement and the by-laws of this association; and he shall state his intentions of abiding by these by-laws.
3. He shall have subscribed to and paid for the minimum number of shares of stock as determined in Article ... No. ...

ARTICLE V. Rights of members

Sample provisions:

1. Each member shall be entitled to one vote only.
2. No voting by proxy shall be permitted.
3. On written demand signed by at least ...% of the members the President shall call a special meeting for the purpose to which the demand relates.
4. Each member shall share in the distribution of the earnings in proportion to his patronage; but the mode of distribution is subject to Article ...
5. Any member may attend a Board of Directors meeting.
6. Any member may inspect the books of the association at any reasonable hour.
7. Any member of the Board of Directors may be recalled by a two-thirds vote of the patron members.

ARTICLE VI. Duties of the members

Whatever provisions you deem necessary. For example, if the work is to be shared:

1. Each member shall be responsible for such portion of work incidental to the continuance of the association as may be assigned him by those empowered to do so, and shall in the interests of the association obey all the rules set down in accordance with these by-laws.

ARTICLE VII. Finance

Section 1. The capital stock shall consist in the paid-up shares of the members.

Section 2. Shares are at a par value of each. interest will be paid on stock or no interest will be paid on any stock.

Section 3. Every member shall subscribe for, and ultimately own, not less than shares but no one shall own more than shares.

Section 4. When to be paid for.

Section 5. Transfer or sale of stock. (Note: in a cooperative, stock is sold back to the Board of Directors. The purpose of a provision of this kind is to protect the association from buying up the shares by outsiders not acceptable to the group.)

Section 6. Net profit shall be distributed to the members according to their patronage, etc. These patronage returns shall be distributed every ... (three or four months, perhaps every quarter). No dividends of any kind will be paid until reserves have been set aside, etc. Any other provisions about the distribution of profits according to Rochdale Principles. Designate when, how, etc.

ARTICLE VIII. Officers and directors

Section 1. The business of the association shall be conducted by a Board of Directors consisting of members elected by the association. This Board should always be composed of an odd number of members.

Vacancies on Board - how filled.

Section 2. The officers of the association shall be: President, Secretary, Treasurer, etc., who shall be annually elected by the Board of Directors, each of whom must be a Director. Vacancies shall be filled for the unexpired term by the Board of Directors. The Board of Directors shall meet within five days after the annual election and shall elect officers.

Section 3. Three members of the Board shall constitute a quorum at any meeting of the association.

ARTICLE IX. Duties of Board of Directors

Section 1. The Board of Directors is fully responsible to the membership of the association for all its actions.

Section 2. Board subordinate to share holders. The Board shall be charged with the general managements of the Association between meetings of the members.

Section 3. Regular meeting of the Board shall be (Every two weeks is suggested.) Special meetings of the Board shall be held upon the call of the President or upon written request of a majority of the Board.

Section 4. The Board may select and appoint a general manager. He shall be the best qualified person for that position that the Association is able to obtain. No director shall be eligible for the office of general manager. (See above for manager's duties.)

Section 5. Anything else necessary to their duties.

ARTICLE X. Duties of Officers.

Section 1. The President shall

- Preside over all meetings of the association and Board.
- Call special meetings of association and Board.
- Perform all acts and duties usually required of an executive and presiding officer.

Section 2. The vice-President shall

Section 3. The Secretary shall

Section 4. The Treasurer shall

- Be charged with first responsibility to the Board for the Manager's account and shall see to it that a full and accurate account is kept of all financial transactions of the association in books belonging to the association and deliver such books to his successor. He shall make a

full report of all matters and business pertaining to his office to the members at the annual meeting and to the Board whenever required.

- b. Deposit all moneys of the association in the name and to the credit of the association in such deposits as may be assigned from time to time.

ARTICLE XI. Meetings of the Members

Section 1. Regular meeting of the members shall be held.....(quarterly or bi-annually). The meeting shall be the annual meeting of the association at which time the general business of the association shall be transacted, directors elected, etc. Members shall be given ten days notice of such meetings.

Section 2. A special meeting of the members may be called by the President whenever he shall deem it necessary or as directed by the resolutions of the Board of Directors or upon petition signed by ten percent of the members. Such meetings shall be called by a notice published days before the meeting. Such notice shall specify time, place and object of such meeting and no business other than that specified shall be transacted at the meeting.

Section 3. Two-thirds of the members shall constitute a quorum for the transaction of business.

Section 4. At all meetings of the members and Board of Directors the order of business and parliamentary practices shall be governed by Robert's Rules of Order.

ARTICLE XII. Amendments

Section 1. Amendments to the by-laws may be made at any annual or regular meeting of the membership by a two-thirds vote of the members present (a quorum being present) providing notice shall be given to the members in writing with exact copy of such proposed amendment with the regular notice of such a meeting.

THE QUEEN'S WORK
3742 W. Pine Blvd.
St. Louis, Mo.